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ERA

Era Information & Entertainment Limited

年代資訊影視有限公司

(incorporated in the Cayman Islands with limited liability)



Quarterly Report

For the nine months ended 30 September 2003

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Directors”) of Era Information & Entertainment Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

RESULTS

The Directors are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months and nine months ended 30 September 2003, together with the comparative unaudited consolidated results for the corresponding periods in 2002 as follows:

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2003 (<i>unaudited</i>) HK\$'000	2002 (<i>unaudited</i>) HK\$'000 (restated)	2003 (<i>unaudited</i>) HK\$'000	2002 (<i>unaudited</i>) HK\$'000 (restated)
Turnover	2	22,900	32,671	73,112	82,982
Cost of sales		(19,322)	(25,338)	(57,595)	(62,478)
Gross profit		3,578	7,333	15,517	20,504
Other revenue		166	78	503	440
Portal promotion costs		-	-	-	(2)
Distribution costs		(170)	(185)	(486)	(666)
Administrative expenses		(6,848)	(7,807)	(21,418)	(23,148)
Other operating expenses		-	(159)	(1,301)	(237)
Loss from operations		(3,274)	(740)	(7,185)	(3,109)
Finance costs		(12)	(13)	(37)	(39)
Loss before taxation		(3,286)	(753)	(7,222)	(3,148)
Taxation	3	311	33	798	268
Net loss attributable to shareholders		(2,975)	(720)	(6,424)	(2,880)
Loss per share	4				
- basic (cents)		(0.930)	(0.225)	(2.008)	(0.900)

Notes:

1. Basis of preparation

In the current period, the Group adopted a revised Statement of Standard Accounting Practice 12 (“SSAP 12”) issued by the Hong Kong Society of Accountants.

SSAP 12 (revised) prescribes the basis for accounting and disclosure requirements for both current and deferred tax. The revised SSAP requires deferred tax to be provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In prior period, SSAP 12 required deferred tax to be provided on all material timing differences arising between accounting profit and taxable profit. The adoption of SSAP 12 (revised) represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

2. Turnover

	For the three months ended 30 September		For the nine months ended 30 September	
	2003 (<i>unaudited</i>) HK\$'000	2002 (<i>unaudited</i>) HK\$'000	2003 (<i>unaudited</i>) HK\$'000	2002 (<i>unaudited</i>) HK\$'000
Sales of home video products	18,904	30,998	55,738	78,364
Theatrical, television release and film rights sub-licensing	1,526	1,490	10,544	4,199
Games distribution and online business	2,470	183	6,830	419
	22,900	32,671	73,112	82,982

3. Taxation

The taxation credit/(charged) comprises:

	For the three months ended 30 September		For the nine months ended 30 September	
	2003	2002	2003	2002
	(<i>unaudited</i>)	(<i>unaudited</i>)	(<i>unaudited</i>)	(<i>unaudited</i>)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(restated)		(restated)
Current taxation				
– Hong Kong profits tax	–	(346)	–	(586)
Deferred taxation	<u>311</u>	<u>379</u>	<u>798</u>	<u>854</u>
	<u>311</u>	<u>33</u>	<u>798</u>	<u>268</u>

Hong Kong profits tax was provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits for the three months and nine months ended 30 September 2003.

Deferred taxation is calculated in full on temporary differences under the liability method using a principal tax rate of 17.5% (2002: 16%).

4. Loss per share

The calculation of basic loss per share is based on the unaudited net loss attributable to shareholders for the three months and nine months ended 30 September 2003 of approximately HK\$2,975,000 and HK\$6,424,000 respectively (three months and nine months ended 30 September 2002: loss of approximately HK\$720,000 (restated) and HK\$2,880,000 (restated) respectively) and the weighted average number of 320,000,000 shares for the three months and nine months ended 30 September 2003 and 2002.

No diluted loss per share is presented as there was no dilutive potential ordinary shares during the periods.

5. Movements in reserves

Movements in reserves during the periods are as follows:

	Share premium (unaudited) <i>HK\$'000</i>	Accumulated profits/(losses) (unaudited) <i>HK\$'000</i>	Total (unaudited) <i>HK\$'000</i>
Balance as at 1 January 2002			
As previously stated	65,991	(2,112)	63,879
Effect of adopting SSAP 12	<u>–</u>	<u>4,217</u>	<u>4,217</u>
As restated	<u>65,991</u>	<u>2,105</u>	<u>68,096</u>
Net loss for the period			
As previously stated	–	(3,734)	(3,734)
Effect of adopting SSAP 12	<u>–</u>	<u>854</u>	<u>854</u>
As restated	<u>–</u>	<u>(2,880)</u>	<u>(2,880)</u>
Balance as at 30 September 2002			
As previously stated	65,991	(5,846)	60,145
Effect of adopting SSAP 12	<u>–</u>	<u>5,071</u>	<u>5,071</u>
As restated	<u>65,991</u>	<u>(775)</u>	<u>65,216</u>
	Share premium (unaudited) <i>HK\$'000</i>	Accumulated losses (unaudited) <i>HK\$'000</i>	Total (unaudited) <i>HK\$'000</i>
Balance as at 1 January 2003			
As previously stated	65,991	(7,194)	58,797
Effect of adopting SSAP 12	<u>–</u>	<u>5,342</u>	<u>5,342</u>
As restated	<u>65,991</u>	<u>(1,852)</u>	<u>64,139</u>
Net loss for the period	<u>–</u>	<u>(6,424)</u>	<u>(6,424)</u>
Balance as at 30 September 2003	<u>65,991</u>	<u>(8,276)</u>	<u>57,715</u>

DIVIDEND

The Directors do not recommend the payment of a dividend for the nine months ended 30 September 2003 (2002: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

For the nine months ended 30 September 2003, the Group recorded a turnover of approximately HK\$73 million (2002: approximately HK\$83 million) and a loss attributable to shareholders of approximately HK\$6.4 million (2002: a loss of approximately HK\$2.9 million (restated)). This result was mainly due to the persisting weak local economy, creating adverse impact on the entertainment industry and consumer markets. As such, the Group's home video products and theatrical distribution businesses were significantly affected. Nevertheless, due to the initial recovery in consumption after the Severe Acute Respiratory Syndrome ("SARS") fallout and the Group's flexible business strategy, the Group's performance in the third quarter recorded a slight improvement when compared to that of the second quarter.

During the period under review, the Group launched various promotional campaigns to boost the sale of home video titles. Certain promotional campaigns inevitably reduced the margin of the Group. New home video products released during the period included 'Johnny English', 'The Core' and 'Anger Management'. In view of the signs of recovery in the local economy after the SARS fallout, the Group will release new home video titles including 'Lara Croft Tomb Raider: The Cradle of Life', 'The Adventures of Indiana Jones – The Complete DVD Movie Collection', 'Terminator 3: Rise of the Machines' and 'Charlie's Angels: Full Throttle' in the proceeding quarter. Meanwhile, the Group is negotiating with a potential film studio for the distribution deal of a movie in the South East Asia region in 2004 and expects to conclude the deal by the end of 2003.

Due to the growing popularity of online and personal computer ("PC") games, the impact of unfavourable economic condition on the Group's game distribution business during the period under review was minimal. New game released during the third quarter included the PC game 'WarCraft III: The Frozen Throne'. Games to be released in the fourth quarter include the PC game 'Counter Strike: Condition Zero'. In view of the positive development of the game distribution business, the Group will continue to expand the range of its game products to achieve ongoing result improvements in its game business. Currently, negotiation for new online games is underway with potential partners. The Group believes this business will become a stable income generator in the long run.

With the signing of the Mainland and Hong Kong Closer Economic Partnership Arrangement, it is expected that there will be more business or investment opportunities in the People's Republic of China for the Group.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 September 2003, the interests of the Directors and the chief executives of the Company in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which would have to be notified to the Company and the Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have under such provisions of the SFO) and/or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which had to be notified to the Company and the Exchange pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules relating to securities transactions by the Directors were as follows:

(a) The Company

Interests in shares of the Company

Name of Directors	Capacity	Number and class of shares	Approximate % of holding
Mr. Leung Chung Chu, Andrew	Beneficial owner	25,000,000 ordinary shares (long position)	7.81%
Mr. Chiu Fu Sheng	Interest of controlled corporations	180,000,000 ordinary shares (long position)	56.25%

(Note)

Note: The 180,000,000 shares are owned by 5D Technology Holdings Ltd. ("5D Technology") which is a company incorporated in the British Virgin Islands with all its shares held by Era Communications Co., Ltd. ("ERA Taiwan"). ERA Taiwan is a company incorporated in Taiwan and Mr. Chiu Fu Sheng and his associates (as defined in the GEM Listing Rules), beneficially own approximately 57.10% of the issued share capital of ERA Taiwan.

Long positions in underlying shares of equity derivatives of the Company

Name of Directors	Capacity	Description of equity derivatives (number and class of underlying shares)
Mr. Leung Chung Chu, Andrew	Beneficial owner	share options to subscribe for shares (1,200,000 ordinary shares) <i>(Note)</i>
Madam Yau Sui Ha, Cecilia	Beneficial owner	share options to subscribe for shares (600,000 ordinary shares) <i>(Note)</i>
Mr. Yau Kar Man	Beneficial owner	share options to subscribe for shares (400,000 ordinary shares) <i>(Note)</i>
Mr. Chan Kin Wo	Beneficial owner	share options to subscribe for shares (400,000 ordinary shares) <i>(Note)</i>
Mr. Yow Cecil	Beneficial owner	share options to subscribe for shares (400,000 ordinary shares) <i>(Note)</i>

Note: The aforesaid share options are classified as “long position” under the SFO.

(b) The associated corporations

Interests in associated corporations of the Company

Name of Directors	Name of associated corporations	Capacity
Mr. Chiu Fu Sheng	5D Technology	Interest of a controlled corporation (Note 1)
Mr. Chiu Fu Sheng	ERA Taiwan	Beneficial owner/ others (Note 1)
Mr. Leung Chung Chu, Andrew	Winning Scope Sdn. Bhd.	Beneficial owner (Note 2)

Notes:

1. As mentioned above, Mr. Chiu Fu Sheng and his associates (as defined in the GEM Listing Rules) beneficially own approximately 57.10% equity interest in ERA Taiwan which beneficially owns all the shareholding interest of 5D Technology. 5D Technology owns 56.25% equity interest of the Company.
2. Mr. Leung Chung Chu, Andrew is personally interested in 400,000 shares of Malaysian Ringgit 1 each in Winning Scope Sdn. Bhd., representing approximately 8.26% of the issued share capital of Winning Scope Sdn. Bhd., a company of which the Company is indirectly interested in approximately 22.73% of its issued share capital.

Save as disclosed herewith, as at 30 September 2003, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors and/or the chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors nor chief executives of the Company or their spouses or children under the age of 18 had any rights to subscribe for the securities of the Company, or had exercised any such rights.

Save as disclosed above, as at 30 September 2003, none of the Directors nor the chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2003, so far is known to the Directors, the following persons (not being a Director or a chief executive of the Company) had an interest and/or a short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

Name	Number and class of shares held	Approximate percentage of issued shares
ERA Taiwan	180,000,000 ordinary shares (long position) <i>(Note)</i>	56.25%
5D Technology	180,000,000 ordinary shares (long position) <i>(Note)</i>	56.25%

Note: The 180,000,000 shares are owned by 5D Technology which is a company incorporated in the British Virgin Islands with all its shares held by ERA Taiwan. ERA Taiwan is a company incorporated in Taiwan and Mr. Chiu Fu Sheng and his associates (as defined in the GEM Listing Rules), beneficially own approximately 57.10% of the issued share capital of ERA Taiwan.

Save as disclosed above, as at 30 September 2003, there was no person who had an interest and/or a short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group, or any options in respect of such capital.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the nine months ended 30 September 2003, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SPONSOR'S INTEREST

Pursuant to a sponsor agreement dated 11 June 2001 entered into between the Company and REXCAPITAL (Hong Kong) Limited ("Rexcapital"), Rexcapital has received and will receive fees for acting as the Company's retained sponsor for the period up to 31 December 2003.

As at 30 September 2003, neither Rexcapital nor its directors, employees or their respective associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interest in the share capital of the Company or its subsidiaries, including options or rights to subscribe for such shares, pursuant to Rules 6.36 and 18.75 of the GEM Listing Rules.

COMPETING INTEREST

The Directors are of the view that ERA Taiwan, being the single largest shareholder of the Company, has not and will not directly compete with the Group in respect of the businesses of distribution of home video products, theatrical, television release and film rights sub-licensing, and games distribution because of geographical differences. However, the Directors are of the view that the internet projects or businesses of ERA Taiwan may continue to expand and there is a risk that the future internet projects or businesses of ERA Taiwan may compete with the Group.

Save as disclosed above, as at 30 September 2003, the Directors are not aware of any business or interest of each Director, initial management shareholder and their respective associates (as defined in the GEM Listing Rules) that competes or may compete with the business of the Group or any other conflicts of interest which any such person has or may have with the Group.

AUDIT COMMITTEE

As required by Rules 5.23 to 5.25 of the GEM Listing Rules, the Company has established an audit committee with written terms of reference which deal clearly with its authority and duties. Its principal duties are to review and supervise the Group's financial reporting process and internal control systems. The Group's unaudited results for the nine months ended 30 September 2003 have been reviewed by the audit committee of the Company, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

By Order of the Board
Leung Chung Chu, Andrew
Chairman

Hong Kong, 6 November 2003